

**CANYON FUEL
COMPANY, LLC
SKYLINE MINE**

**IBC
NORTH LEASE
2007**

**Task ID #2813
Response**

October 2007



**Canyon Fuel
Company, LLC.
Skyline Mine**

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environmental Eng.
HCR 35, Box 380
Helper, UT 84526
(435) 448-2626 - Office
(435) 448-2632 - Fax

October 30, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. The legal description on the June 15, 2007 correspondence incorrectly identified the W1/2SW1/4 of Section 1, and did not include the entire increase in the permit area – only the area where mining is planned. The area is correctly identified as the W1/2SE1/4 of Section 1, Township 13 South, Range 6 East, and the entire proposed permit boundary addition is described.

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to mine portions of the S1/4 of Section 36, Township 12 South Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Carbon County and C&B Energy. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. In good-faith, Skyline Mine has confidential agreements in place with both of these family trusts that addresses undermining their property. CFC Skyline Mine will first-mine only in the portions of the Carbon County and C&B Energy leases described and no subsidence will occur as a result of the mining.

Utah Administrative Code **R645-301-114.200** relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: 1) a copy of the written consent of the surface owner, or 2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or 3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under **114.210, 114.220, and 114.230.**

CFC Skyline Mine has been granted valid coal leases from Carbon County and C&B Energy, the owners of the coal estate, to conduct underground mining of coal in the S1/4 of Section 36, Township 12 South Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M, respectively. See, Amended Section 5 of *Consent, Ratification, and Amendment of Lease and Agreement*. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to 8/8/02 letter to

File in:

- ☐ Confidential
- ☐ Shelf
- ☒ Expandable

Refer to Record No. 0073 Date 10-30-07
In C/ 0040005, 2007, Incoming
For additional information

DOGM, Appendix 118A of currently approved M&RP). The Utah Supreme Court has clearly adopted the principle that wherever there exists separate ownerships of interest in the same land, "each (party) should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner or lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith vs. Linmar Energy Corp.*, 790 P. 2d 1222, 1224 (Utah App. 1990) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP).

Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. Consequently, CFC Skyline is exercising its rights to mine the Carbon County and C&B Energy leases with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property".

If you have any questions regarding this matter, please call me at (435) 448-2636

Sincerely,



Gregg A. Galecki
Environmental Engineer, Skyline Mine
Canyon Fuel Company, LLC



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

October 17, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. Portions of the area identified to be undermined in the June 15, 2007, are correct. The following legal description identifies the entire area that is being permitted through the Utah Division of Oil, Gas, and Mining.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/4 of Section 36, Township 12 South, Range 6 East, SLB&M, and portions of the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 112 acres of mine development, with the permitted area located on your property being expanded by a total of approximately 296 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

October 17, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Sirs:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. The legal description on the June 15, 2007 correspondence incorrectly identified the W1/2SW1/4 of Section 1, and did not include the entire increase in the permit area – only the area where mining is planned. The area is correctly identified as the W1/2SE1/4 of Section 1, Township 13 South, Range 6 East, and the entire proposed permit boundary addition is described.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 680 acres in portions of the S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon, and some room-and-pillar mining. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the mains or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 448-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

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Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

October 17, 2007

Mr. George Liodakis
c/o Liodakis Ranch, LLC
2655 East Chalet Circle
Sandy, Utah 84093

RE: Canyon Fuel Company, LLC, Skyline Mine, Mine Entry and Room Development in portions of the W1/2 of Section 1 located south of Winter Quarters Creek, the W1/2SE1/4 of Section 1, the N1/2NW1/4 and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Liodakis:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. Portions of the areas in Section 1 and Section 12, Township 13 South, Range 6 East, to undermined was mistakenly identified. Identifying the entire W1/2 of Section 1 located south of Winter Quarters Creek, and the W1/2SE1/4 of Section 1, the N1/2NW1/4 and the SW1/4NW1/4 of Section 12 more accurately represents the area being both permitted and undermined.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in portions of the W1/2 of Section 1 located south of Winter Quarters Creek, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 128 acres of room-and-pillar mining, with the permitted area located on your property being expanded by a total of approximately 384 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the room-and-pillar mining. No surface disturbance will occur will the currently proposed development. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining

- The standard wet chemical analysis (ASTM D 2492) determines iron soluble in nitric acid, and calculates from this the pyrite content. This test does not separate marcasite values from pyrite values and merely reports the total as pyrite.
- On a dry basis the three mineable seams average from 0.55 to 0.62 percent total sulfur by weight. On the same basis, pyritic sulfur averages from 0.07 to 0.21 percent. Even if all the pyritic sulfur were marcasite, it would not be sufficient to cause acid mine drainage problems.
- The Permittee consulted with Commercial Testing and Engineering Laboratories, Inc. in Denver, Colorado, and Standard Laboratories, Inc. in Charleston, West Virginia, and did not find an accurate and quantitative method to determine marcasite content in coal.

~~Acid and toxic analyses results for the North Lease area were not yet available as of November 4, 2002. However, since mining in~~ The North Lease is a continuation of mining the Lower O'Connor "A" seam as was previously performed in Mine #3 (the existing Mine #3 workings are located within 50 feet horizontally of the planned new works of Mine #3 in the North Lease), the same geochemical conditions are anticipated. Lab analysis from drill holes in the North Lease of the floor, roof, and coal indicate the potential for generating acid or toxicity are low. Results are included in Appendix Volume A-3 Volume 2. Testing of material transported to the waste rock disposal site indicates that only a very small percentage of material that would be classified as acid and toxic forming has been found in the Lower O'Connor "A" seam. The handling of waste rock and material determined to be acid or toxic forming is described in Sections 4.4.5 and 4.16 of this M&RP.

2.2.9 Waste Rock Disposal Site

The stratigraphy of the waste rock disposal site area is very similar to that of the minesite permit area, consisting of inter-bedded sandstone, siltstone, and shale, with numerous carbonaceous and coaly zones. In November of 1976, Sanders Exploration drilled a borehole about 1,300 feet east of the waste rock permit site located in the SE 1/4, NW 1/4, Sec 4, T 13S, R 7E. The drill hole report for the site identified as S-4 can be found in Appendix Volume A-4.

Geotechnical

The geotechnical data report by Dames and Moore dated October 30, 1979 is included in its entirety in Appendix Volume A-3. Much of that report is interpretive in nature and deals with facilities that have since been constructed.

Revised: 11/04/02 10/25/07

- The standard wet chemical analysis (ASTM D 2492) determines iron soluble in nitric acid, and calculates from this the pyrite content. This test does not separate marcasite values from pyrite values and merely reports the total as pyrite.
- On a dry basis the three mineable seams average from 0.55 to 0.62 percent total sulfur by weight. On the same basis, pyritic sulfur averages from 0.07 to 0.21 percent. Even if all the pyritic sulfur were marcasite, it would not be sufficient to cause acid mine drainage problems.
- The Permittee consulted with Commercial Testing and Engineering Laboratories, Inc. in Denver, Colorado, and Standard Laboratories, Inc. in Charleston, West Virginia, and did not find an accurate and quantitative method to determine marcasite content in coal.

The North Lease is a continuation of mining the Lower O'Connor "A" seam as was previously performed in Mine #3 (the existing Mine #3 workings are located within 50 feet horizontally of the planned new works of Mine #3 in the North Lease), the same geochemical conditions are anticipated. Lab analysis from drill holes in the North Lease of the floor, roof, and coal indicate the potential for generating acid or toxicity are low. Results are included in Appendix Volume A-3 Volume 2. Testing of material transported to the waste rock disposal site indicates that only a very small percentage of material that would be classified as acid and toxic forming has been found in the Lower O'Connor "A" seam. The handling of waste rock and material determined to be acid or toxic forming is described in Sections 4.4.5 and 4.16 of this M&RP.

2.2.9 Waste Rock Disposal Site

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Geotechnical

The geotechnical data report by Dames and Moore dated October 30, 1979 is included in its entirety in Appendix Volume A-3. Much of that report is interpretive in nature and deals with facilities that have since been constructed.

Main entries in the mines are advanced so that mining panels may be developed on one or both sides. These panels are usually 2,500 to 7,000 feet long and 400 to 800 feet wide. The panels will be mined by driving rooms or by retreat-type operations where coal is mined as Room and Pillar Mining. Where feasible, the coal will be removed by a longwall operation. The panels will then be "pulled" consecutively to the barrier, leaving the main entries intact.

The mains developed to access the North Lease area will be driven through the SW1/4 SW 1/4 of Section 12, Township 13 South, Range 6 East. Multiple entries will be driven north from existing workings within the unsealed southeastern portion of Mine 3 workings (Drawing 3.1.8-2). As the mains approach the northeast portion of the abandoned Mine 3 workings, they will be angled downward to go under the abandoned workings instead of through. This portion of Mine 3 was flooded by pumping water from Mine 2 into Mine 3 beginning in March 1999. This pumping continued until August 2002. At that time, the water level in the abandoned Mine 3 was reduced in the abandoned portion of Mine 3 to an elevation below the northeast corner of Mine 3 and at or below the level of the new entries. Draining of Mine 3 continues as mining advances north, west and down dip of the Mine 3 workings. Removing the water from the abandoned portion of Mine 3 removes the risk of flooding the new entries from water in Mine 3.

The abandoned Winter Quarters Mine workings are illustrated on Drawing 3.1.8-2. The new entries to the North Lease area are driven at least 300 feet horizontally from the closest point in the abandoned Winter Quarters Mine. As required by MSHA, exploratory drilling was conducted at required intervals to ensure Skyline Mine does not intercept the abandoned Winter Quarters Mine.

In the North Lease, longwall mining is scheduled to commence in early 2006. Undermining of portions of Winter Quarters Creek and Woods Canyon creek are planned, but only minor surface subsidence is anticipated. A portion of land, approximately 397-acres, located on the north side of Winter Quarters Creek is identified as a potential first-mining area. Based on BLM recommendations for Maximum Economic Recovery (MER), the area will be mined by conventional methods should suitable conditions exist. No subsidence is anticipated in this area, should this area be determined to be mineable.

In 2007, due to a change in the longwall panel configuration in the North Lease located north of Winter Quarters Canyon an Incidental Boundary Change (IBC) modification was added to the permit. Development / conventional mining in portions of the S1/4 of Section 36, Township 12 South, Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 Section 1, the N1/2 NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East was added. No subsidence or surface disturbance is anticipated in this area based on the proposed activity.

3.1.3 Method of Mining

In order to achieve maximum coal reserve recovery and enhance overall production rates, the mining plan, as developed to date and herein proposed, involves two mining methodologies most appropriate for

Revised: 10/16/07

3-6

Skyline's coal reserves. The mines are developed using continuous miners to drive entries which are connected with cross cuts. Continuous miners are also used for retreat room and pillar mining. The room and pillar method of mining is being implemented in particular situations for which longwall mining is inappropriate. The longwall mining system will be used to extract the majority of the Skyline coal.

Longwall Mining

Longwall mining is proposed for the extraction of large uniform blocks of mineable coal, resulting in increased production rates and overall recovery. Mine layouts are based on longwall mining in areas where the panels generally are more than 2,500 feet in length and where a suitable longwall panel can be constituted. The 2,500 foot length is used however only as a guideline, and may vary significantly depending upon physical as well as economic factors. Recoverable coal reserves in longwall mining areas are based on mining a maximum thickness of fifteen feet.

The longwall mining operation utilizes at least two sizes of equipment in order to mine the variations in seam thickness locally encountered. Lower equipment will be used for mining down to 5 feet of coal thickness, and larger equipment will be used to mine thicknesses of at least 15 feet.

In areas where coal is thicker than the height capacity of the mining equipment, the unmined coal will be left in the bottom of the bed, unless economic or safety conditions or operation constraints warrant otherwise.

A high overall recovery of reserves can be expected as the longwall unit retreats through a panel. Pillars in developed entries will be left to protect adjacent panels. Longwall mining results in controlled surface subsidence in that small coal pillars and stumps are not left behind resulting in unpredictable surface behavior. A predictable uniform lowering of the surface will occur.

Main entries in the mines are advanced so that mining panels may be developed on one or both sides. These panels are usually 2,500 to 7,000 feet long and 400 to 800 feet wide. The panels will be mined by driving rooms or by retreat-type operations where coal is mined as Room and Pillar Mining. Where feasible, the coal will be removed by a longwall operation. The panels will then be "pulled" consecutively to the barrier, leaving the main entries intact.

The mains developed to access the North Lease area will be driven through the SW1/4 SW 1/4 of Section 12, Township 13 South, Range 6 East. Multiple entries will be driven north from existing workings within the unsealed southeastern portion of Mine 3 workings (Drawing 3.1.8-2). As the mains approach the northeast portion of the abandoned Mine 3 workings, they will be angled downward to go under the abandoned workings instead of through. This portion of Mine 3 was flooded by pumping water from Mine 2 into Mine 3 beginning in March 1999. This pumping continued until August 2002. At that time, the water level in the abandoned Mine 3 was reduced in the abandoned portion of Mine 3 to an elevation below the northeast corner of Mine 3 and at or below the level of the new entries. Draining of Mine 3 continues as mining advances north, west and down dip of the Mine 3 workings. Removing the water from the abandoned portion of Mine 3 removes the risk of flooding the new entries from water in Mine 3.

The abandoned Winter Quarters Mine workings are illustrated on Drawing 3.1.8-2. The new entries to the North Lease area are driven at least 300 feet horizontally from the closest point in the abandoned Winter Quarters Mine. As required by MSHA, exploratory drilling was conducted at required intervals to ensure Skyline Mine does not intercept the abandoned Winter Quarters Mine.

In the North Lease, longwall mining is scheduled to commence in early 2006. Undermining of portions of Winter Quarters Creek and Woods Canyon creek are planned, but only minor surface subsidence is anticipated. A portion of land, approximately 397-acres, located on the north side of Winter Quarters Creek is identified as a potential first-mining area. Based on BLM recommendations for Maximum Economic Recovery (MER), the area will be mined by conventional methods should suitable conditions exist. No subsidence is anticipated in this area, should this area be determined to be mineable.

In 2007, due to a change in the longwall panel configuration in the North Lease located north of Winter Quarters Canyon an Incidental Boundary Change (IBC) modification was added to the permit. Development / conventional mining in portions of the S1/4 of Section 36, Township 12 South, Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 Section 1, the N1/2 NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East was added. No subsidence or surface disturbance is anticipated in this area based on the proposed activity.

3.1.3 Method of Mining

In order to achieve maximum coal reserve recovery and enhance overall production rates, the mining plan, as developed to date and herein proposed, involves two mining methodologies most appropriate for Skyline's coal reserves. The mines are developed using continuous miners to drive entries which are connected with cross cuts. Continuous miners are also used for retreat room and pillar mining. The room and pillar method of mining is being implemented in particular situations for which longwall mining is inappropriate. The longwall mining system will be used to extract the majority of the Skyline coal.

Longwall Mining

Longwall mining is proposed for the extraction of large uniform blocks of mineable coal, resulting in increased production rates and overall recovery. Mine layouts are based on longwall mining in areas where the panels generally are more than 2,500 feet in length and where a suitable longwall panel can be constituted. The 2,500 foot length is used however only as a guideline, and may vary significantly depending upon physical as well as economic factors. Recoverable coal reserves in longwall mining areas are based on mining a maximum thickness of fifteen feet.

The longwall mining operation utilizes at least two sizes of equipment in order to mine the variations in seam thickness locally encountered. Lower equipment will be used for mining down to 5 feet of coal thickness, and larger equipment will be used to mine thicknesses of at least 15 feet.

In areas where coal is thicker than the height capacity of the mining equipment, the unmined coal will be left in the bottom of the bed, unless economic or safety conditions or operation constraints warrant otherwise.

A high overall recovery of reserves can be expected as the longwall unit retreats through a panel. Pillars in developed entries will be left to protect adjacent panels. Longwall mining results in controlled surface subsidence in that small coal pillars and stumps are not left behind resulting in unpredictable surface behavior. A predictable uniform lowering of the surface will occur.



**Canyon Fuel
Company, LLC.
Skyline Mine**

A Subsidiary of Arch Western Bituminous Group, LLC.

MEMORANDUM
Gregg Galecki

Date: October 25, 2007

To: File

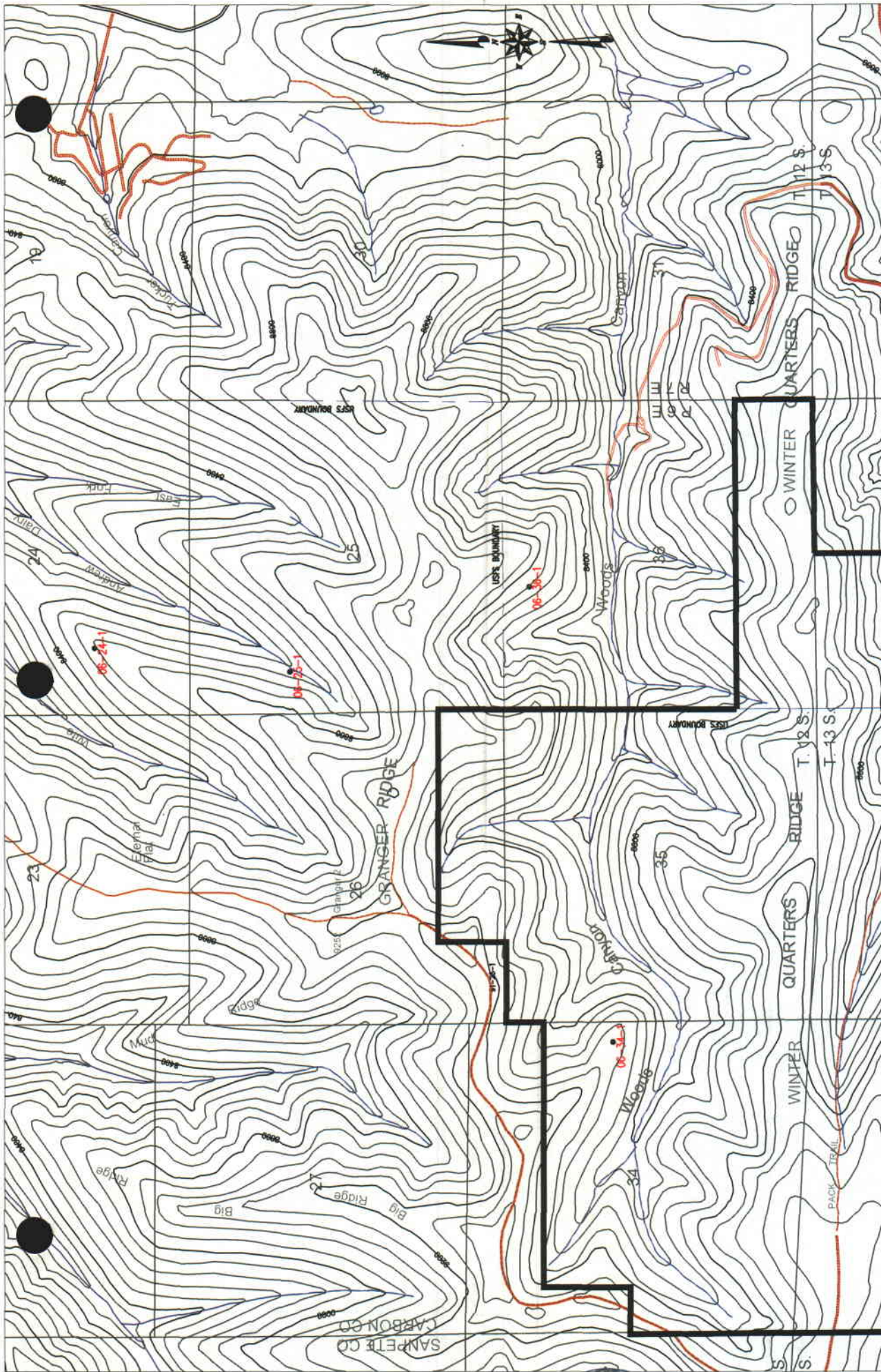
From: Gregg Galecki

Subject: Lab Analysis of floor, roof, and coal seam of selected drill holes located in the North Lease portion of Mine #3.

Per a Division of Oil, Gas, and Mining personnel request, attached is laboratory analysis of the floor, roof, and coal seam from selected drill holes located in the North Lease. Also attached is a location map identifying where the drill holes are located. The information is supplied as a demonstration of the low potential of generating acid or toxicity from coal seam.

The attached drill holes analysis represent a limited view of the mineable reserve. Waste Rock sent to the Waste Rock disposal site is sampled regularly - on a one (1) sample per 2,000-ton basis. Results from the analysis of the material deposited at the Waste Rock site is reported to the Division in the Annual Report.

This information is available both at the mine and Appendix A-3, Volume 2 of the Mine and Reclamation Plan.



Drill Hole Locations

Canyon Fuel Company, LLC
Skyline Mines

P.A. BOX 710 HELPER, UTAH 84308	DATE: 10/29/2007	CK BY: G. Golecki	REVISION:
ESR FILE: 435-148-443			
BY Permit: Surface-Mining	SCALE: 1" = 2250'	DR BY: R. Sweetwood	
DWG. NO.: Drillsurface-Skyline			0

Drill Site 06-2-2



September 25, 2007

Mr. Gregg Galecki
Canyon Fuel Company
Skyline Canyon Mine
HC 35 Box 380
Helper, Utah 84526

Dear Mr. Galecki:

Enclosed are the results for soil samples our laboratory received on August 31, 2007. The analyses were completed according to methods described in USDA Handbook 60 and the American Society of Agronomy monographs.

Feel free to contact me at your convenience if you have any questions or concerns.

Sincerely,

Karen Secor
Mining Soils

xc: File
Encl.



Soil Analysis Report

Canyon Fuel Company, LLC.

HCR 35, Box 380
Helper, UT 84526

Report ID: S0709017001

Project: Skyline Utah#6

Date Received: 8/31/2007

Date Reported: 9/24/2007

Work Order: S0709017

Lab ID	Sample ID	pH	Electrical				SAR	Available		Exchangeable	
		s.u.	Saturation	Conductivity	Calcium	Magnesium		Sodium	Potassium	Sodium	Sodium
			%	dS/m	meq/L	meq/L		meq/L	meq/L	meq/100g	meq/100g
S0709017-001	06-2-1 Floor Rock	7.9	32.1	0.42	0.62	0.28	4.28	2.87	0.14	0.75	0.65
S0709017-002	06-2-1 Roof Rock	8.2	18.0	1.07	1.52	0.72	7.00	7.40	0.30	0.33	0.20
S0709017-003	06-2-2 Floor Rock	7.7	33.0	0.82	3.18	2.11	1.40	2.27	0.23	0.13	0.05
S0709017-004	06-2-2 Roof Rock	8.3	28.4	0.82	0.78	0.49	8.25	6.55	0.36		
S0709017-005	06-2-3 Floor Rock	6.6	32.8	1.75	4.99	3.69	3.88	8.08	0.41		
S0709017-006	06-2-3 Roof Rock	8.1	27.8	1.20	1.84	1.14	6.72	8.20	0.31	0.33	0.10
S0709017-007	06-24-1 Floor Coal	8.6	26.2	0.66	0.27	0.21	12.1	5.91	0.47	1.43	1.28
S0709017-008	06-24-1 Roof Rock	8.4	22.8	0.73	0.55	0.30	8.84	5.77	0.45	0.56	0.43
S0709017-009	06-25-1 Floor Rock	8.0	26.6	0.58	1.52	1.33	1.42	1.69	0.51		
S0709017-010	06-25-1 Roof Rock	8.0	25.9	0.74	2.09	1.98	1.40	2.00	0.97	0.16	0.11
S0709017-011	06-34-1 Floor Coal	8.8	24.8	0.66	0.25	0.20	13.4	6.29	0.16	1.25	1.09
S0709017-012	06-34-1 Roof Rock	8.7	27.9	0.98	0.36	0.16	18.3	9.38	0.16		
S0709017-013	06-36-1 Floor Rock	8.1	22.9	0.94	2.19	1.93	3.13	4.50	0.67	0.19	0.09
S0709017-014	06-36-1 Roof Rock	8.5	27.1	0.87	0.64	0.52	9.93	7.58	0.37		

These results apply only to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H2OSol= water soluble, AB-DTPA= Ammonium Bicarbonate-DTPA, AAO= Acid Ammonium Oxalate

Abbreviations used in acid base accounting: T.S.= Total Sulfur, AB= Acid Base, ABP= Acid Base Potential, PyrS= Pyritic Sulfur, Pyr+Org= Pyritic Sulfur + Organic Sulfur, Neutral. Pot.= Neutralization Potential

Miscellaneous Abbreviations: SAR= Sodium Adsorption Ratio, CEC= Cation Exchange Capacity, ESP= Exchangeable Sodium Percentage

Reviewed by: Karen A Secor

Karen Secor, Soil Lab Supervisor



Soil Analysis Report
Canyon Fuel Company, LLC.

Report ID: S0709017001

HCR 35, Box 380
Helper, UT 84526

Project: Skyline Utah#6

Date Reported: 9/24/2007

Date Received: 8/31/2007

Work Order: S0709017

Lab ID	Sample ID	Sand			Silt	Clay	Coarse		TKN	Nitrogen		Selenium
		%	%	%			Fragment	%		Nitrate	ppm	
S0709017-001	06-2-1 Floor Rock	98.0	<0.1	2.0			Sand	100	<0.01	0.63	<0.02	
S0709017-002	06-2-1 Roof Rock	86.0	6.0	8.0			Loamy Sand	100	0.01			
S0709017-003	06-2-2 Floor Rock	94.0	<0.1	6.0			Sand	100	0.01	0.88	0.02	
S0709017-004	06-2-2 Roof Rock							100	0.04	0.20	0.06	
S0709017-005	06-2-3 Floor Rock							100	0.03	0.46	0.08	
S0709017-006	06-2-3 Roof Rock							100	<0.01	0.31	0.03	
S0709017-007	06-24-1 Floor Coal	12.0	60.0	28.0			Silty Clay Loam	100	<0.01	0.29	0.02	
S0709017-008	06-24-1 Roof Rock	64.0	24.0	12.0			Sandy Loam	100	<0.01	0.14	0.10	
S0709017-009	06-25-1 Floor Rock							100	<0.01	1.22	0.05	
S0709017-010	06-25-1 Roof Rock							100	<0.01			
S0709017-011	06-34-1 Floor Coal							100	0.02	0.29	0.02	
S0709017-012	06-34-1 Roof Rock							100	0.01			
S0709017-013	06-36-1 Floor Rock	81.0	9.0	10.0			Loamy Sand	100	<0.01			
S0709017-014	06-36-1 Roof Rock							100	0.02			

These results apply only to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H2Osol= water soluble, AB-DTPA= Ammonium Bicarbonate-DTPA, AAQ= Acid Ammonium Oxalate

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Lab ID	Sample ID	Total Carbon		TOC		Total Sulfur		T.S. AB		Neut. Pot.		T.S. ABP	
		%	%	%	%	%	%	1/1000t	1/1000t	1/1000t	1/1000t	1/1000t	1/1000t
S0709017-001	06-2-1 Floor Rock	0.5	0.4	0.4	0.02	0.72	5.22	4.50					
S0709017-002	06-2-1 Roof Rock	1.6	0.5	0.5	0.02	0.62	87.3	86.7					
S0709017-003	06-2-2 Floor Rock	0.5	0.5	0.5	<0.01	<0.01	4.73	4.73					
S0709017-004	06-2-2 Roof Rock	6.0	5.4	5.4	0.34	10.7	51.4	40.7					
S0709017-005	06-2-3 Floor Rock	0.7	0.6	0.6	0.02	0.52	11.0	10.5					
S0709017-006	06-2-3 Roof Rock	1.2	0.2	0.2	0.03	0.89	85.2	84.3					
S0709017-007	06-24-1 Floor Coal	1.2	<0.1	<0.1	0.01	0.46	98.4	98.0					
S0709017-008	06-24-1 Roof Rock	0.7	<0.1	<0.1	0.05	1.59	149	147					
S0709017-009	06-25-1 Floor Rock	0.2	0.1	0.1	<0.01	<0.01	7.04	7.04					
S0709017-010	06-25-1 Roof Rock	2.4	1.8	1.8	0.16	5.04	53.2	48.2					
S0709017-011	06-34-1 Floor Coal	4.3	4.3	4.3	0.04	1.32	1.50	0.18					
S0709017-012	06-34-1 Roof Rock	2.0	0.7	0.7	0.03	1.07	109	108					
S0709017-013	06-36-1 Floor Rock	1.6	0.2	0.2	0.06	1.82	118	116					
S0709017-014	06-36-1 Roof Rock	3.1	2.4	2.4	0.09	2.69	62.2	59.5					

These results apply only to the samples tested.

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Karen Secor, Soil Lab Supervisor

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